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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Questar Gas Company for Approval of a Natural Gas Processing Agreement

In the Matter of the Application of Questar Gas to Adjust Rates for Natural Gas Service in Utah

Docket No. 98-057-12

RESPONSE OF THE DIVISION OF PUBLIC UTILITIES TO THE JULY 23, 2002 PUBLIC SERVICE COMMISSION QUESTIONS

Docket No. 01-057-14

The following is a response by the Division of Public Utilities (DPU) to the questions submitted by the Public Service Commission on July 23, 2002:

- 1. UNDER THE ALLOCATION AND RATE DESIGN STIPULATION IN DOCKET NO. 99-057-20 TRANSPORTATION CUSTOMERS BEAR SOME COST RESPONSIBILITY FOR CO₂ PLANT PROCESSING COSTS. IF THE CO₂ PLANT EXPENSES THAT ARE THE SUBJECT OF THIS CASE ARE RECOVERED THROUGH THE 191 ACCOUNT, WOULD THE TRANSPORTATION CUSTOMERS HELP PAY FOR THOSE COSTS CONSISTENT WITH 99-057-20 STIPULATION?**

No. Transportation customers would not help pay for the CO₂ plant expenses that are the subject of this case.

Any customer that purchases gas would receive a portion of the CO₂ cost proposed to be recovered in the 191 account.

Generally, transportation customers purchase all of their gas on the open market and only purchase transportation services from Questar. Therefore, absent the purchase of gas as a commodity, the transportation customers would not help pay for any of the CO₂ cost.

2. IT APPEARS THAT PARAGRAPH 10 OF THE 99-057-20 STIPULATION CONTROLS COST RECOVERY OF CO₂ COST EXPENSES, INCLUDING THE COST AT ISSUE IN THIS DOCKET. HOW DOES THIS OCCUR THROUGH THE 191 ACCOUNT?

At first blush, one might conclude that Paragraph 10 of the 99-057-20 stipulation controls cost recovery of CO₂ expenses in both the rate case and this docket. However, upon closer review of the stipulation and the transcript of the hearing approving the stipulation, the DPU has concluded that paragraph 10 applies only to Docket 99-0057-20. On page 302-303 of the June 6, 2000 transcript approving the stipulation in Docket 99-057-20, Mr. Alt for the DPU specifically addressed the issue of whether Paragraph 10 of the stipulation applied to other dockets. Mr. Alt stated:

Can I add a comment to this discussion of the allocation of the CO₂ cost that I meant to include in my original presentation, but it was so small that I missed it? We had some discussions and the question came up that it wasn't really clear in the stipulation. Does this formula that we've been talking about that's in the stipulation spread, the CO₂ cost, does that apply for the five years, or is it only for this case? And our understanding is, and I think the understanding of the other parties, that it's really only for the purposes of this case, and if there's another case proceeding within that five-year period, that we would deal with the issue again separately, that this is not foreclosing that, is our understanding. I just wanted to make that clarification.

This quote of Mr. Alt, along with paragraphs 5 and 21 of the stipulation, leads the DPU to conclude that paragraph 10 does not control which customer class pays for the CO₂ cost which is the subject of this remand proceeding. In conclusion, paragraph 10 of the allocation and rate design stipulation does not appear to control which customer class pays the CO₂ cost.

3. IF THERE ARE DIFFICULTIES IN USING THE 191 ACCOUNT FOR COST RECOVERY, WHAT OTHER ALTERNATIVES SHOULD BE CONSIDERED? CAN THE COST BE TREATED IN THE CURRENT QUESTAR GAS RATE CASE?

The subject of this docket is the remand of the Supreme Court decisions requiring essentially the Commission to include those CO₂ costs not recovered in general rates in the 191 account. Deviation from the cost recovery in the 191

account was not discussed during the hearings in this docket. It appears from Exhibit 1 attached to the allocation and rate design stipulation in Docket 99-057-20 that about \$250,000 out of a possible \$5 million CO₂ cost recovery in this docket would be allocated to the transportation customers under the terms of paragraph 10 of the stipulation in Docket 99-057-20. Since the DPU has concluded that the stipulation in Docket 99-057-20 does not apply to this docket, any decision to deviate recovery in the 191 account would have to be based on a record developed in this docket. At such a hearing, other alternatives could be considered, including the treatment of the cost in the current Questar Gas rate case. The DPU does not see that such action by the Commission is necessary since the limited issue before the Commission in this case is what amount of pre-rate case CO₂ cost should be recoverable through the 191 account. Therefore, we do not see that either the stipulation in 99-057-20 or the remittitur of the Supreme Court require the Commission to consider other ways to recover the pre-rate case CO₂ cost other than through the 191 account.

Dated this _____ day of _____, 2002

MICHAEL L. GINSBERG
Assistant Attorney General

CERTIFICATE OF SERVICE

I hereby certify that a copy of the **RESPONSE OF THE DIVISION OF PUBLIC UTILITIES TO THE JULY 23, 2002 PUBLIC SERVICE COMMISSION QUESTIONS** in Docket Number 01-057-14 were mailed or hand delivered on the _____ day of July, 2002 to the following:

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